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Subject Measuring Innovation: Towards a "Innovation Scorecard"

## **Measuring Innovation: Towards a "Innovation Scorecard"**

Innovation has emerged as a vital ingredient for building prosperous businesses, generating greater societal wealth, raising individual well-being, and improving the human condition. Yet it is arguably among the most arcane, and least well understood, of human endeavors. The reasons for this imperfect understanding are, in large part, to do with the fundamental nature of innovation itself. Innovation can be viewed as a complex capability that needs stringing together a panoply of knowledge, skills, and mindsets into a well-orchestrated symphony. Yet it can also be viewed as a chaotic, rough-and-tumble activity where trial-and-error dominates, and serendipity rules the roost. Nations - and companies - differ greatly in terms of how they use material, intellectual and financial resources to innovate, and finding a common "innovation formula" has proved elusive at best, and is perhaps utopian.

Be that as it may, one key prerequisite for spurring innovation and managing it to yield results is measuring innovation - in terms of its rate, direction and impact. In recognition of the complexity and many-faceted nature of the beast, any approach that seeks to reduce innovation to a single measure, or even a handful of measures, is unlikely to be realistic. Thus, a multidimensional approach is called for. We thus recommend an "Innovation Scorecard" as below.

### **The Corporate Innovation Scorecard:**

The corporate (firm-level) innovation scorecard will incorporate the following dimensions, with sample measures shown against each dimension. The measures are indicative rather than exhaustive. The period over which the measures are to be reported, unless otherwise mentioned, is the year. Clearly, while most of the measures are objective, some must be obtained thru surveys/ self-reporting.

#### **1. Measures of Commitment to Innovation**

- Budget specifically devoted towards the development of new products/services/processes
- number of hours spent by senior leaders on evangelizing, motivating or facilitating innovation,
- percentage of employee compensation tied to innovation,
- % of senior management roles mentioning innovation in the role description,
- number of acquisitions made, number of new ventures spun off

#### **2. Measures of Innovation Output**

- number of new products, services or processes developed,
- number of patents earned,
- number of patent citations earned,
- revenue from licensing IP

#### **3. Measures of Market Success**

- % of revenues from products or services that did not exist 2 years ago,
- % of revenues from geographies that were not addressed 2 years ago,
- % of revenues from customer industries / segments not addressed 2 years ago,

- customer feedback on new products or services.

#### **4. Measures of a Culture of Change**

- hours of training /mentoring received by employees on new technologies, processes,
- % of people performing roles they have been in for under 2 years,
- number of rewards and recognition for ideas,
- number of employee suggestions actionized,
- number of new divisions / organizational units created, number of new roles created,
- % of employees belonging to more than one team,
- number of peer knowledge sharing sessions,
- average experience level of employees in number of years - should be low,
- number of employees recruited from an industry different from the one in which operates, quality of organizational communication, degree of diversity.

#### **5. Measures of Collaboration**

- Number of products/services resulting from inter-unit collaboration,
- % of employees participating in cross-functional initiatives,
- Number of products/services resulting from inter-company collaboration,
- Number of products/services co-created with customers.

### **The Macroeconomic Innovation Scorecard:**

#### **1. Measures of Commitment to Innovation**

- national budget devoted towards the development of nascent industries,
- tax revenues foregone thru tax breaks for R&D, innovation and new industry segments
- public and private investment in education,
- amount of funding that went to startups or new ventures

#### **2. Measures of Innovation Output and Success**

- number of patents awarded by the national patent office,
- number foreign patents earned by entities within the country,
- number of patent citations earned,
- revenue earned by entities within the economy from licensing IP (within or outside the economy)
- % of industrial revenues from companies less than 2 years old
- % of exports arising from products or services that were not exported 2 years ago, from geographies that were not addressed 2 years ago
- number of new cures and treatments for diseases
- extent of GDP shift (from primary to secondary to tertiary)
- number of new education programs created (at degree level)

#### **3. Measures of a Culture of Change**

- number of jobs created by companies that did not exist 2 years ago,

- number of jobs created by nascent industries,
- number of people moved from primary to secondary, and secondary to tertiary sectors of the economy
- number of employed people enrolled in higher education programs.

#### 4. Measures of Collaboration

- consulting hours provided by academia to industry
- revenues resulting from joint R&D between academia and industry
- revenues resulting from joint R&D between companies

Thank You.

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